

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Ruston Developmental Center
Office for Citizens With
Developmental Disabilities
Department of Health and Hospitals
State of Louisiana
Ruston, Louisiana

February 12, 2003



Financial and Compliance Audit Division

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**RUSTON DEVELOPMENTAL CENTER
OFFICE FOR CITIZENS WITH
DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Ruston, Louisiana

Procedural Report
Dated January 24, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

February 12, 2003



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January 24, 2003

**RUSTON DEVELOPMENTAL CENTER
OFFICE FOR CITIZENS WITH
DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Ruston, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Ruston Developmental Center. Our procedures included (1) a review of the center's internal controls; (2) tests of financial transactions for the years ending June 30, 2002, and June 30, 2001; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 2002, and June 30, 2001; and (4) a review of compliance with prior audit recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected center personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Report of the Ruston Developmental Center was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The center's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the Ruston Developmental Center, dated May 19, 2000, we reported a finding relating to noncompliance with movable property regulations. Management has not resolved this finding and it is addressed again in this report.

Based on the application of the procedures referred to previously, a significant finding is included in this report for management's consideration.

Inadequate Control Over Moveable Property

For the second consecutive audit, Ruston Developmental Center did not maintain adequate internal control over its movable property valued at \$920,825, as prescribed by state laws and regulations. Louisiana Administrative Code 34:VII.307(A) requires all items of qualified property be reported to the Louisiana Property Assistance Agency (LPAA) within 60 days of actual receipt of the property. In addition, good internal

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controls require that the agency have adequate control procedures to (1) monitor and frequently update the addition/deletion and location of property, and (2) safeguard movable property against loss. A test of 12 movable property items indicated the following:

- Two laser printers valued at \$2,800 were not added to the LPAA system timely. The printers were acquired on April 9, 2001; however, they were not tagged until October 28, 2002, approximately 505 days late. This is an error rate of 17%.
- The center does not reconcile its movable property additions to its general ledger. While scanning the Net Change Report from LPAA, it was discovered that two computers valued at \$2,924 were incorrectly coded to computer supplies instead of equipment.

Management has not placed the emphasis necessary on establishing adequate internal controls over its movable property to ensure that it can account for all movable property and comply with applicable regulations. As a result, there is an increased risk that movable property assets could be lost or misused and not be detected timely.

Ruston Developmental Center should establish the controls necessary to ensure that it complies with LPAA regulations and movable property assets are adequately safeguarded. In addition, the center should periodically perform a reconciliation of LPAA additions to its general ledger (see Appendix A, pages 1-3).

The recommendations in this report represent, in our judgement, those most likely to bring about beneficial improvements to the operations of the center. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the center should be considered in reaching decisions on courses of action. Findings relating to the center's compliance with applicable laws and regulations should be addressed immediately by management.

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This report is intended solely for the information and use of the center and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized initial "G".

Grover C. Austin, CPA
First Assistant Legislative Auditor

CTV:WJR:AJR:dl

[RDC02]

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



M.J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS

RUSTON DEVELOPMENTAL CENTER

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David W. Wood
SECRETARY

December 12, 2002

Dr. Daniel G. Kyle, PH.D., CPA, CFE
Legislative Auditor, State of Louisiana
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dr. Kyle :

This letter is written in reply to your request for a **response to the audit finding concerning "Inadequate Control Over Moveable Property"** at Ruston Developmental Center.

➤ **Concurrence with Finding / Clarification of Perspective:**

We concur with your finding. The finding accurately states that this is the second consecutive finding on this matter.

Not to contest these facts; but, to put these statements in perspective, we would like to take this opportunity to state that Mr. Kent Boddie, Director of Administrative Services, has only been at RDC for one year; and, that Jack Boyd, Director of Fiscal Services for less than one year.

In good faith, both Mr. Boddie and Mr. Boyd adhered to the existing Administrative Policy at RDC relating to property control – specifically that such responsibilities were those of the Property Control Manager.

Immediately subsequent to your auditors informing us of the inadequacy of internal controls in this area of Property Controls at Ruston Developmental Center, we began addressing these weaknesses in control and are currently making changes (as indicated below) in an effort to resolve this issue.

**Response to the Audit Finding concerning
"Inadequate Control Over Moveable Property"
at Ruston Developmental Center (Continued)**

➤ **Corrective Plan Of Action:**

❑ **Contact person responsible for corrective action**

Mr. Jack Boyd, Director of Fiscal Services, has been assigned by Mr. Kent Boddie, Director of Administrative Services, as the contact person responsible for corrective action in this matter. Contact information is as follows:

Name of Contact Person : Gary Jack Boyd, CFE, CGFM

Title : Director of Fiscal Services

Mailing Address: --- Ruston Developmental Center

P.O. Box 907 Ruston, LA 71273

Phone Number : (318) 247-4207 **Fax Number** (318) 247-8908

E-Mail Address : jboyd2@dhh.state.la.us

❑ **Corrective Action Taken**

As soon as the two exceptions noted regarding the two laser printers not being properly recorded in the Louisiana Property Assistance Agency (LPAA) report were brought to our attention by the Auditor-In-Charge during the field work phase of the audit, we physically located the items and made appropriate changes to our records.

We determined this situation resulted from lack of communication between departments and no follow up being done by the individual designated as Property Control Manager.

In this situation, two RDC employees to whom these items were assigned were moved to another building on campus. These items were moved with them, yet the location change was not made to the property control records.

The coding error was made by the individual hired as Director of Administrative Services PRIOR to Mr. Boddie taking over this position. That individual is no longer at our agency.

❑ **Corrective Action Planned**

We believe the oversight noted above could have been detected and corrected internally by RDC in a timely manner had the internal accounting and administrative controls detailed below been established and implemented at that time.

In order to reduce risks and/or prevent recurrence of similar situations in the future, Mr. Boyd has been assigned the responsibility of monitoring the work product of the Property Control Manager relating to accountability for and physical safeguarding of movable property. Monitoring procedures will be implemented no later than February 28, 2003.

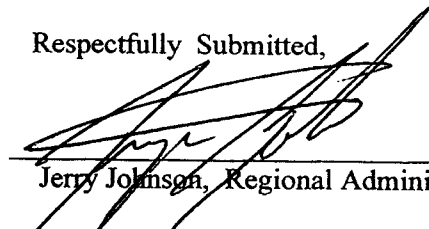
**Response to the Audit Finding concerning
"Inadequate Control Over Moveable Property"
at Ruston Developmental Center (Concluded)**

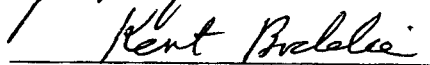
Such monitoring will include:


- ✓ Reviews and reconciliations of movable property control records, general ledger records, and Louisiana Property Assistance Agency (LPAA) reports;
- ✓ Frequent internal reviews of the accuracy and timeliness of the work product generated and maintained by the Property Control Officer comparing movable property records with supporting documentation and physical verification including :
 - Comparison of payments to vendors for acquisitions of movable property and corresponding backup (i.e. purchase authorizations, receiving documents, invoices, etc.) to updates of additions and location of property shown per movable property control records ;
 - Physical verification of location of newly acquired items of movable property selected for examination ; and subsequent tracing / comparing the verified location(s) to location(s) indicated per movable property control records; and,
 - Comparison / tracing of items of movable property selected for examination from the movable property control records to the physical location of the selected items.
- ✓ Documentaion of discussion of results of such monitoring reviews with the Property Control Manager.

If you have any further questions or need additional information, please contact us.

Respectfully Submitted,


Jerry Johnson, Regional Administrator

 12-16-02
Kent Boddie, Director of Admin. Services

 12/16/02
Jack Boyd, Director of Fiscal Services